(b) whether it is a fact that the banking industry is on the verge of failure in domestic field; and

(c) if so, whether all pros and cons have been duly considered before taking over the management of CBE?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (c) State Bank of India (SBI) has reported that it had participated in a global bid floated by Commercial Bank of Ethiopia (CBE) for management contract of CBE and SBI's bid was accepted. SBI has further reported that certain terms of the specific contract in this regard are still under negotiation and the arrangement has not yet been finalised. SBI shall seek the approval of Reserve Bank of India (RBI) after negotiation of various terms of the contract are concluded. SBI had carried out a detailed due diligence exercise and all pros and cons of the arrangement have been duly considered.

(b) RBI has reported that out of the 100 Scheduled Commercial Banks (SCBs) in India, the Capital to Risk Assets Ratio (CRAR) of 95 banks, for the year ended 31.3.2001, was more than the minimum stipulation of 9%. The ratio of gross non-performing assets to gross advances of the SCBs had improved from 14.4% in March, 1998 to 11.4% in March, 2001. The operating profits of SCBs increased by 7.9% during the year ended 31st March, 2001. Thus, the Indian Banking Industry is not on the verge of failure in domestic field.

Changes in Credit Policy

*217. DR. KARAN SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has lately announced drastic changes in the credit policy for Banks, reducing the bench mark Bank-rates to a 28 years low of 6.5 per cent and slashing the Cash Reserve Ratio from 7.5 per cent to 5.5. per cent;

(b) the reasons warranting such changes in the credit policy;

(c) whether it affects the already poor incentives for the common depositors, the workers, the aged and the pensioners to deposit their savings in banks; and

(d) how far the new credit policy is pro-corporate and anti-common depositors, the workers, the aged and the pensioners?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) On a review of macroeconomic and monetary developments, the Reserve Bank of India (RBI) reduced Bank Rate by 0.5 percentage point from 7.0 per cent to 6.50 per cent with effect from the close of business on October 22,2001 as a part of monetary policy measures which are announced six monthly. At this level, it is the lowest Bank Rate since May 1973. Cash Reserve Ratio (CRR) was also reduced by 200 basis points to 5.50 per cent from 7.50 per cent of Net Demand and Time Liabilities (NDTL).

(b) All scheduled commercial banks (excluding regional Rural Banks) were required to maintain with the RBI a CRR of 7.5 per cent of their NDTL prior to announcement of the mid-term review. While the statutory minimum requirement of CRR maintenance at 3.0 per cent is obligatory on the banks additional CRR, ranging between 4.5 per cent and 12.0 per cent since 1981, was imposed from time to time in order to reduce the overflow of liquidity due to excessive money supply in the economy. With a view to rationalizing CRR prescription and moving towards the long term goal of keeping CRR normally at the statutory level, changes were made in respect of the coverage as well as the level of CRR for the banking system.

It is expected that the recent changes in policy with regard to CRR will facilitate the development of a short term yield curve, develop money market, reduce the regulatory arbitrage between banks and non-banks, enhance the availability of lendable resources with the banks and improve the efficiency of indirect instruments in the conduct of monetary policy.

(c) and (d) The commercial banks are free to determine their interest rate structure on bank deposits excepting savings bank accounts, keeping in view their own asset liability structure. In addition, banks are permitted to formulate fixed deposit schemes specifically meant for senior citizens offering higher and fixed rates of interest as compared to normal deposits of any size.

The changes in interest rates are in consonance with the decline in inflation and as such are not expected to affect the interest of common depositors adversely. .

Oil pool account

*218. SHRI KARNENDU BHATTACHARJEE: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state: